

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Neutral

BILL NUMBER: AB 1671
AUTHOR: Huffman, Jared William

BILL SUMMARY: Department of Transportation: Retention Payments

Existing law, until January 1, 2014, prohibits the Department of Transportation (Caltrans) from withholding retention payments to contractors when making progress payments for state-funded public works projects.

This bill would extend the sunset date to January 1, 2020.

FISCAL SUMMARY

This bill would have no fiscal impact until 2014. This bill continues the zero-retention policy for contractor payments beyond the current expiration date of January 1, 2014, relieving the administrative burden of tracking retentions for state-funded public works projects. If existing law was allowed to sunset, Caltrans would be required to withhold retention payments from a portion of its projects as required by state law. Therefore, this bill would result in minor cost savings from 2014 to 2020.

COMMENTS

The Department of Finance is neutral on this bill because it would relieve Caltrans from the administrative burden of having a two-tiered payment system for public works projects.

Retentions are contractual withholdings of progress payments without cause and payable to a contractor after successful completion of a project. These retentions maintain a certain level of financial control for a public entity over a public works project.

Chapter 341, Statutes of 2008 (SB 593), prohibited, until January 1, 2014, Caltrans from withholding retention payments to contractors when making progress payments for public works projects.

Most Caltrans projects are federally-funded and do not have retention payments. However, absent SB 593, existing law would require state departments to withhold no more than 5 percent of a contract in retention.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					
	LA	(Dollars in Thousands)					
	CO	PROP					Fund
	RV	98	FC	2011-2012 FC	2012-2013 FC	2013-2014	Code
2660/Caltrans	CO	No		----- No/Minor Fiscal Impact -----			0042
<u>Fund Code</u>	<u>Title</u>						
0042	Highway Account, State, STF						

Analyst/Principal (0752) M.Almy	Date	Program Budget Manager Mark Hill	Date
Department Deputy Director			Date
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)